The Social Impacts of Inequality: Poverty, Deprivation and Cohesion

Brian Nolan and Christopher T. Whelan

Presentation to GINI Concluding Conference
Amsterdam, June 2013
Some Background

• Increasing income inequality has led to focus on potential linkages with range of social outcomes
  – crystallised in *The Spirit Level*

• GINI project assesses evidence on extent to which increasing inequality leads to more divided societies with worse outcomes for all citizens

• Wide range of social domains and potential channels of influence involved
  – ‘Psychosocial’ implications of status differences versus neo-materialist perspective emphasizing resources – complementary?

• Focus here on social cohesion encompassing poverty, deprivation, ‘social risks’, economic stress, family, crime, social solidarity, trust and status anxiety, and ‘happiness’
Analytical Approaches and Challenges

• High bivariate correlations across countries - even where robustly established – difficult to interpret
• Social outcomes of interest not always clearly specified or measured consistently across countries/over time
• Causal channels/mechanisms underpinning postulated effects often multiple, unclear
• Time-scale and dynamics involved also often unclear
• Multilevel longitudinal analysis preferred but often not possible with data available
• GINI project set out to accumulate evidence and assess what can be learned from comparative analysis and individual country experiences over time
Poverty, deprivation and ‘social risks’

• High cross-sectional correlation between income inequality and relative income poverty
  • but poverty still varies among countries with similar inequality
• Median-based income poverty measures have often risen as overall inequality rises, including in Crisis
  • but may not do so, e.g. when increasing top incomes key driver
• Differences in material deprivation across countries and over time strongly related to average income, with income inequality having much modest role
• Household joblessness is strong predictor of deprivation
• Vulnerability helpful broader concept, highly structured by social class, as are ‘social risks’
‘Economic Stress’

• Stress: difficulty ‘making ends meet’, coping, arrears
• Average income and income inequality have no direct influence, material deprivation key predictor
• Impact of deprivation higher in countries with higher levels of income
  • continuing importance of national reference groups in EU
• No moderating role for inequality – experiencing deprivation in a more unequal society does not generate more economic stress, controlling for other factors
The Family

• Range of indicators studied
  • Fertility, age of marriage, cohabitation, births before marriage, divorce, lone parenthood, large families, …..

• Little cross-sectional correlation between income inequality and these indicators, except teenage births

• Negative SES gradients seen for some family indicators but positive or no gradient for others
  • not correlated with inequality

• Trends in income inequality explain little of dramatic change in family life across all countries in recent decades; even in USA, timing varies and causality runs in both directions
Crime and Punishment

• Serious data issues across countries/over time
• Cross-sectional association between inequality and violent crime
• Much more nuanced picture over time
• Crime falling over time in USA and UK where inequality rose sharply, as well as Australia; rising in Belgium where inequality stable
• Imprisonment rates tend to be higher in more unequal countries, and some notable examples of inequality and imprisonment increasing
Social Solidarity and Trust

- Expressed solidarity with neighbours, older people etc. weakly negatively related to inequality cross-sectionally.
- Generalized trust often argued to be negatively related to inequality, but importance of controlling for national income demonstrated in cross-sectional analysis.
- Pooled cross-sectional/time-series analysis found no significant impact of income inequality controlling for country fixed effects.
- Examples from country studies where inequality rose but trust unchanged (Australia); even in USA, decline in trust started before rise in inequality; direction of causality?
Social Status and Anxiety

• People in more unequal societies come to have a greater concern with social status & status competition?
• Measured by perceived respect, admiration and recognition from others, versus ‘looked down on’
• Status anxiety inversely related to both income rank and overall income inequality
  • mean anxiety higher in more unequal countries
• But inconsistent findings on whether impact of lower income on anxiety is greater in more unequal countries
• Issues of measurement and interpretation
‘Happiness’

• Negative but modest relationship between respondents’ reported overall life satisfaction and income inequality in Europe, not USA
• Respondents in higher inequality transition countries report lower levels of satisfaction
• Negative impact of inequality on life satisfaction in panel data for Germany, but not Russia
Conclusions

• Potential causal channels from income inequality to social outcomes are many and various
• Extremely difficult to reliably identify impact of income inequality per se, rather than other features of country or aspects of inequality and social stratification, with data generally available
• Experience of countries studied show very wide variety of patterns over time across different social outcomes of interest in relation to inequality trends
• Critically important to specify and test causal mechanisms
• Social stratification is multi-dimensional, and focus on income distribution unlikely to capture